BUDGET RESOLUTION/Conference, Passage

SUBJECT: **Conference report to accompany the House Concurrent Budget Resolution for fiscal years 1998-2002 . . . H.Con. Res. 84. Agreeing to the conference report.**

ACTION: CONFERENCE REPORT AGREED TO, 76-22

SYNOPSIS: The conference report to accompany H.Con. Res. 84, the House Concurrent Budget Resolution for fiscal years 1998-2002, will balance the Federal budget in fiscal year (FY) 2002 by slowing the overall rate of growth in spending over the next 5 years to below the rate of growth in revenue collections (the Congressional Budget Office (CBO) recently revised upwards its 5-year revenue estimate by $225 billion). Federal spending as a percentage of Gross Domestic Product (GDP) will fall to 18.9 percent in 2002, which will mark the first time since 1974 that it has been below 20 percent. No changes will be made to the Social Security Program. An assumption is made that the Bureau of Labor Statistics will make a .3 percent adjustment to the Consumer Price Index. Absent this resolution and any changes to current spending, total spending would be $300 billion greater over 5 years and $1.2 trillion greater over 10 years. Total outlays over the next 5 years will be approximately $200 billion greater than the amount assumed in last year's resolution. This resolution is based on a budget compromise reached between the President and congressional Republican and Democratic leaders.

(in billions)

Fiscal Year	Revenues	Budget Authority	Outlays	Deficit
1998	$1601.8	$1702.0	$1692.3	$90.5
1999	$1664.2	$1766.5	$1753.9	$89.7
2000	$1728.2	$1825.4	$1811.2	$83.0
2001	$1805.2	$1874.2	$1858.5	$53.3
2002	$1890.4	$1921.3	$1889.0	$-1.4 (surplus)

In addition to overall totals, budget resolutions contain totals for broad function categories. They do not dictate the amounts to

(See other side)

YEAS (76)

Republican (40 or 74%)

Abraham, Bennett, Bond, Brownback, Burns, Campbell, Chafee, Cochran, Collins, Coverdell, Craig, D'Amato, DeWine, Domenici, Frist, Gorton, Grassley, Gregg, Hagel, Hatch, Hutchinson, Hutchison, Kempthorne, Lott, Lugar, Mack, McCain, McConnell, Murkowski, Nickles, Roberts, Roth, Santorum, Sessions, Shelby, Smith, Gordon, Snowe, Stevens, Thurmond, Warner

Democrats (36 or 82%)

Akaka, Baucus, Biden, Bingaman, Boxer, Breaux, Bryan, Byrd, Cleland, Conrad, Daschle, Dodd, Dorgan, Durbin, Feingold, Feinstein, Ford, Glenn, Graham, Harkin, Inouye, Johnson, Kerrey, Kohl, Landrieu, Lautenberg, Leahy, Levin, Mikulski, Moseley-Braun, Murray, Reid, Robb, Rockefeller, Torricelli, Wyden

NAYS (22)

Republicans (14 or 26%)

Allard, Ashcroft, Coats, Enzi, Faircloth, Gramm, Grams, Helms, Inhofe, Kyl, Smith, Bob, Specter, Thomas, Thompson

Democrats (8 or 18%)

Bumpers, Hollings, Kennedy, Kerry, Moynihan, Reed, Sarbanes, Wellstone

NOT VOTING (2)

Republicans (1)

Jeffords-[2AY]

Democrats (1)

Lieberman-[2]

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

be spent on specific programs, but they are based on assumptions of spending levels. Those spending levels may be based in part on assumed changes to current law. Additionally, revenue assumptions may be made based upon assumed changes to current law. Reconciliation instructions in a budget resolution direct authorizing committees to suggest changes to direct (mandatory) spending and revenues in order to meet the assumed revenue and spending levels. In this case, two reconciliation bills will be considered. The Senate will first consider a bill with spending changes. The first bill will contain an increase in the debt limit to $5.950 trillion (the debt is not expected to reach that level until December 15, 1999). It will then consider a bill with tax relief changes. Recommendations for the first bill will be made by June 13, 1997 and recommendations for the second bill will be made by June 20, 1997. Key assumptions on which the totals in this resolution are based are listed below.

- Tax relief (for related debate, see vote Nos. 74, 77, 81-82, and 90): gross tax relief of $135 billion and net tax relief of $85 billion over 5 years will be provided (the difference primarily will be due to the extension of expiring aviation taxes; alternative means of collecting aviation taxes may be enacted); net tax relief of no more than $250 billion over 10 years will be provided; the tax relief will be used to pay for a $500-per-child tax credit, capital gains tax reform, estate tax reform, Investment Retirement Account (IRA) expansion, and at least $35 billion in tax credits for higher education over 5 years; all tax relief changes will be permanent.
- Medicare: the rate of growth in Medicare spending will be slowed to twice the rate of inflation (6 percent), which will result in savings of $115 billion over 5 years and $434.2 billion over 10 years; the changes will make the Part A Trust Fund solvent for 10 years (it is currently projected to be bankrupt by 2001); assumed changes include the following: the home health care program will be transferred from Part A of Medicare to Part B; the Part B premium will remain at 25 percent of program costs; the effect on the premium of adding home health care costs to Part B costs will be phased in over 7 years; beneficiaries will be given more choices among competing health plans, such as provider sponsored organizations and preferred provider organizations; medical savings accounts will not be ruled out as an option; changes will be made to payment methodologies that will reduce payments to physicians and others; new health benefits will be authorized; and per-beneficiary expenditures will rise from $5,480 in 1997 to $6,911 in 2002.
- Medicaid: the rate of growth in the Medicaid program will be slowed for 5-year savings of $13.6 billion and 10-year savings of $65.5 billion (outlay growth will average 6.9 percent annually instead of 7.8 percent); assumed changes include reductions in disproportionate share hospital (DSH) payments and do not include new spending for children, legal immigrants, or veterans.
- $26.5 billion will be raised over 5 years from spectrum auctions,with $14.9 billion of that amount in FY 2002 (this revenue will be scored as mandatory savings).
- $13.6 billion will be saved from lower debt service payments.
- President Clinton's mandatory program initiatives: $31.2 billion will be spent on domestic mandatory spending initiatives over 5 years including: $16 billion to provide health care coverage for up to 5 million children currently without coverage (see vote No. 75; for related debate, see vote No. 76); $9.7 billion to provide Supplemental Security Income and Medicaid welfare benefits to legal immigrants who entered the country before the passage of the welfare reform bill and who are disabled or who become disabled; $4.5 billion for additional nutritional and welfare-to-work assistance; and $1 billion for toxic waste cleanup.
- Defense discretionary spending: outlays for defense will be $5 billion higher over the next 5 years than projected in last year's budget resolution.
- Nondefense discretionary spending (NDD; for related debate, see vote Nos. 72, 74, 78-79, and 91): not counting the $35 billion higher cost of renewing expiring section 8 low-income housing contracts in the next 5 years (see HUD section 8 housing below), NDD spending will increase just $35 billion over a nominal freeze the next 5 years (an annual rate of one-half of 1 percent, compared to a 6 percent average rate for the past 10 years); this $35 billion will include an $8.6 billion increase in transportation spending ($8.7 billion more than requested; see vote Nos. 80 and 84); in real terms (taking into account inflation), NDD will fall every year for the next 5 years;
- President Clinton's domestic discretionary program priorities: the President, in negotiations, asked that Congress commit to funding 40 existing programs at the level of funding he requested; congressional negotiators acceded to that request for just 13 of those programs, including: Head Start, the Violent Crime Reduction Trust Fund, the National Institutes of Standards and Technology; Pell Grants (the maximum award amount will be increased to $3,000); and the EPA Operating Program; programs which did not receive protected status as requested include: the Legal Services Corporation; the National Endowment for the Arts; AmeriCorps; family planning programs; and the Occupational Safety and Health Administration (OSHA).
- Section 8 Housing and Urban Development (HUD) housing: section 8 low-income housing originally was funded through multi-year contracts as long as 20 years; the budget authority for those contracts was provided in the first year, and the outlays occurred over the terms of the contracts; starting in the 1980s, the length of those contracts gradually shortened; by the early 1990s, they were being renewed at only 2 or 3 year increments; currently they are only being renewed for 1-year terms, and it is expected that from now on only 1-year contracts will be entered into; this resolution increases budget authority to accommodate the substantial increase needed to renew expiring section 8 housing contracts for each of the next 5 years (the increase is due to the fact that a large number of both long-term contracts and more recent short-term contracts are coming up for renewal in those years); that increase in budget authority will not affect outlay rates; the outlay caps will also be increased, though, in order to spend $35 billion more on section

8 housing over 5 years than the amount that would have been spent had section 8 budget authority stayed at its FY 1997 level (as already noted, if BA were kept at that level large numbers of the contracts up for renewal could not be renewed; if they were not renewed, outlays would decline substantially below their nominal FY 1997 level; roughly $25 billion of that increase is just to keep section 8 housing at its current nominal outlay level of $16 billion annually, and the remainder is the amount necessary to keep pace with inflation, thereby preserving the existing number of low-income housing units).

Budget procedures:

- separate spending caps will be set for discretionary defense spending and other discretionary spending; the point of order between transferring funds between defense and nondefense spending will be retained, which will be waivable by a three-fifths majority (60) vote;
- spending caps will be set by statute in the first reconciliation bill, and the current-law sequester enforcement mechanism that operates in the event those caps are breached will also be extended (sequesters apply only to statutory spending caps; budget resolution caps operate as internal congressional rules; the Senate has always required a three-fifths majority vote to exceed a budget resolution cap; statutory limits on spending have been passed twice, in the 1990 budget agreement and in the 1993 reconciliation bill; those caps have not been breached until this year; the breach this year is by about $9 billion due primarily to a mistake in estimating defense outlay rates; a sequester will not apply because a new statutory limit will be set in the first reconciliation bill);
- "Pay-as-your-go", or "PAYGO," procedures will be extended to 2002 (those procedures require new mandatory and entitlement spending and tax cuts to be offset by other permanent law changes to make them deficit-neutral).
- reserve funds (reserve funds in budget resolutions can be used to authorize new entitlement programs without being subject to 60-vote points of order): an intercity passenger rail reserve fund will be authorized to allow passage of legislation providing deficit-neutral, mandatory spending for passenger rail service; a mass transit reserve fund will be authorized to allow passage of legislation providing deficit-neutral, mandatory spending for mass transit; and a highway reserve fund will be authorized to allow passage of legislation providing deficit-neutral funding for highway projects.

The resolution contains numerous sense-of-the-Senate and sense-of-the-Congress provisions, including the following:

- National Institutes of Health funding should be doubled in the next 5 years and increased by $2 billion this year (see vote No. 78);
- the 4.3 cent per gallon portion of the gas tax that is currently being diverted to general revenues should be put in the highway trust fund instead (see vote No. 84);
- spending should be reduced, or other adjustments should be made, by the amount, if any, that revenues expected from spectrum auctions do not materialize (for related debate, see vote No. 86);
- any revenues that are realized in excess of the estimates in this resolution should be used for deficit reduction and tax relief only (see vote No. 88);
- entitlement reform should be enacted, inflation should be measured accurately, and budget surpluses should be run to prepare for the retirement of the baby boom generation;
- this resolution assumes that health insurance costs for the self-employed will immediately be made 100-percent deductible;
- the Medicare Part A trust fund will be credited for any savings achieved in reconciliation legislation from Part B;
- mandatory spending should be reformed, and should not be allowed to exceed more than 70 percent of the budget; and
- Congress should not authorize any new highway projects.

Sense-of-the-House provisions include the following:

- legislation should be enacted to eliminate egregious corporate subsidies; and
- baseline budgeting procedures should be replaced with procedures that require justification of aggregate funding levels and that maximize accountability for spending.

Those favoring the conference report contended:

There almost was not any need for a conference report. The differences between the Senate-passed and House-passed versions of this bill were absolutely minimal. The assumptions have not changed on the spending or the taxes; the budget will be balanced by 2002; the Federal Government's share of the Gross Domestic Product (GDP) will be down to 18.9 percent; more than $1.1 trillion in savings will be achieved over the next 10 years; up to $250 billion in tax relief will go to America's families over the next 10 years. The report, like the Senate bill, is based on the CBO's assumption of the rate of growth over the next 5 years; the CBO's assumption is still more pessimistic than any other economic forecaster's. Spending will be restrained by those budget procedures that have worked in the past: budget resolution spending caps; statutory spending caps that will be enforceable by sequestration (those caps will be enacted in the first reconciliation bill); and "PAYGO" procedures that restrain entitlement spending. In the 1980s, pro-growth policies were adopted that led to the greatest sustained and rapid growth in the economy in America's history. Unfortunately, concomitant restraints on spending were not enacted, and growth in Federal spending outstripped the growth in the economy, leading to huge deficits. This time will be different because we are enacting pro-growth policies along with spending restraints that we know work. The United States is poised to go roaring into the next century as the most free and most wealthy country that has ever existed. We are pleased to have the chance to vote for this bipartisan agreement to balance the budget.

Those opposing the conference report contended:

We oppose adoption of the conference report for the same reasons that we voted against final passage of the budget resolution. No real changes have been made. This report is based on faulty economic assumptions that wish away the deficit and are then used as an excuse to justify new spending and tax cuts. Some of us who oppose this report oppose any tax cuts now; others of us strongly favor tax cuts and favor real spending cuts to offset the loss in revenues. We agree, however, that any cuts must be made from a real starting point, not from a series of economic assumptions that the deficit is pretty well going to disappear by itself, without Congress making any policy changes. We hope our colleagues are right in their assumptions, but we doubt it, and must therefore vote against this conference report.